

## **FISCAL NOTE**

### **SB 2723 – HB 3078**

February 29, 2008

**SUMMARY OF BILL:** Prohibits the issuance of motor vehicle registrations unless owners of motor vehicles provide evidence of proof of financial responsibility as defined in Tennessee Financial Responsibility Law (TFRL) of 1977. Increases the penalty for failure to produce proof of financial responsibility to law enforcement officers from a Class C misdemeanor, which is currently punishable by fine only of no more than \$100, to a Class B misdemeanor, which is punishable by fine only of not more than \$500.

#### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue –**

**Net Impact - \$6,343,200/FY08-09**

**Net Impact - \$12,686,400/FY09-10 and in Succeeding Years**

**Decrease Local Revenue –**

**Net Impact - \$9,929,000/FY08-09**

**Net Impact - \$19,857,900/FY09-10 and in Succeeding Years**

**Increase Local Expenditures\* -**

**Exceeds \$132,500/FY08-09**

**Exceeds \$265,000/FY09-10 and in Succeeding Years**

**Assumptions:**

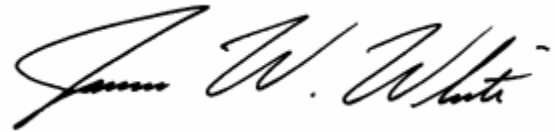
- According to the Department of Revenue (DOR), there are approximately 5,269,782 vehicles currently registered in Tennessee.
- According to information provided by the Comptroller in 2007, the uninsured motorist rate in Tennessee for 2005 was 21 percent.
- 20 percent (1,053,956) of registered vehicles are driven by uninsured motorists.
- 70 percent (737,769) of registered vehicles driven by uninsured motorists will not be able to acquire insurance and will not be able to register vehicles, thus resulting in decreases of state and local government revenue derived from registration fees.

- According to DOR, the state portion of the registration fee is \$21.50 per vehicle registered.
- According to DOR, the average county wheel tax is approximately \$27 per vehicle registered.
- The decrease of state revenue attributable to reduced registration fees is estimated to be \$15,862,000 ( $737,769 \times \$21.50 = \$15,862,033$ ) per year.
- The decrease of local government revenue attributable to reduced registrations and wheel tax collections is estimated to be \$19,919,800 ( $737,769 \times \$27 = \$19,919,763$ ) per year.
- 30 percent (316,187) of uninsured motorists will be able to acquire appropriate levels of vehicle liability insurance and will be able to renew or maintain vehicle registrations.
- An increase in state revenue estimated to be \$2,000,000 derived from insurance premium taxes as approximately 316,187 individuals acquire liability insurance.
- According to the Department of Safety, there were approximately 33,000 convictions for failure to provide the required proof of financial responsibility in FY06-07.
- The number of convictions for failure to provide proof of financial responsibility remains constant through FY08-09.
- The average fine for the Class C misdemeanor under current law is estimated to be \$50 per violation.
- The average fine for the Class B misdemeanor under this bill is estimated to be \$100 per violation.
- 25 percent will not pay fine due to indigence.
- The increase of fine revenue is estimated to be \$1,237,500 ( $33,000 \times 75\% \times \$50 \text{ increase} = \$1,237,500$ ) per year.
- Local governments receive five percent of fine revenue.
- The increase of local government revenue resulting from fines is estimated to be \$61,900 ( $\$1,237,500 \times 5\% = \$61,875$ ) per year.
- The net increase to state revenue resulting from fines is estimated to be \$1,175,600 ( $\$1,237,500 - \$61,900 \text{ local share} = \$1,175,600$ ) per year.
- An increase to local government expenditures for prosecuting an additional number of violations estimated to exceed \$165,000 per year statewide ( $33,000 \times \text{minimum of } \$5 \text{ each} = \$165,000$ ).
- An increase to local government expenditures for additional costs to county clerks for processing registrations with proof of financial responsibility, mailing back registrations not properly submitted, and for verification of financial responsibility information. Such additional costs are estimated to exceed \$100,000 per year.
- The first-year impact for this bill is estimated at 50 percent of the first full-year impact due to the effective date of January 1, 2009.

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc